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## **INTRODUCTION**

The Office of Internal Audit performed an audit of the Grand River/Warren District, Wayne County FIA for the period October 1, 2002 through June 13, 2003. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that Agency assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of Michigan Family Independence Agency (FIA) are being followed. The Grand River/Warren District had 73 full time equated positions (FTE's) at the time of our review. The Grand River/Warren District provided assistance to an average of 9,170 recipients per month during FY 2001, with total assistance payments of \$12,183,037.26 during that year.

## **SCOPE**

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Grand River/Warren District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Cash Receipts	Cash Disbursements
Safe and Controlled Documents	CIMS/ASSIST Security
State Emergency Relief	Employment Support Services
IRS Information Security	Procurement Card
Payroll and Timekeeping	State Car Usage
Client Processing	

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Grand River/Warren District internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. Our audit disclosed no exceptions in the Cash Receipts, Employment Support Services, Safe & Controlled Documents, State Emergency Relief, Payroll Review or Client Processing systems. We did, however, find a few instances of noncompliance with FIA policies and procedures and weaknesses in internal controls for the other systems included in our scope, which are detailed below.

## **DISTRICT RESPONSE**

The management of the Grand River/Warren District has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated August 8, 2003 that they are in general agreement with the report.

## **FINDINGS AND RECOMMENDATIONS**

### **Cash Receipts**

#### **Open Items on FIA-61**

1. The Grand River/Warren District did not always record disposition information on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. We found several open items on the FIA-61, where the checks/warrants were not on hand and the local office had not recorded the disposition. Recording the disposition on the FIA-61 provides documentation that returned checks/warrants were disposed of properly.

WE RECOMMEND the Grand River/Warren District record the disposition of all checks/warrants on the FIA-61.

## **CIMS/ASSIST Security**

### **CIMS Security Agreements**

2. The Grand River/Warren District did not have accurate, up-to-date CIMS Security Agreements (FIA-3974A) on file for 37 of the 83 employees who access the Client Information Management System (CIMS), as required by L-Letter 97-063. An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with the CIMS access, and that the supervisor approves the level of CIMS access for the employee.

WE RECOMMEND the Grand River/Warren District ensure that accurate, up-to-date security agreements are on file for all employees who access CIMS.

NOTE: While the auditor was on site 34 security agreements (FIA-3974A) were updated by employees. One employee was on Medical and could not update her security agreement. Two employees had transferred to another District.

### **ASSIST Enrollment Profile/Security Agreements**

3. Grand River/Warren District did not have current and accurate ASSIST Enrollment Profiles (FIA-3720) OR ASSIST Security Agreements (FIA-3721) on file for staff that accesses ASSIST. Our review disclosed that 3 staff did not have ASSIST Enrollment Profiles (FIA-3720) on file, and 18 staff did not have ASSIST Security Agreements (FIA-3721) on file.

L-Letter L-97-063 requires a FIA-3720 and FIA-3721 to be prepared for all new users of ASSIST and for all current users each time an enrollment change is proposed.

WE RECOMMEND the Grand River/Warren District review the ASSIST Enrollment Profiles (FIA-3720) and Security Agreements (FIA-3721) to determine that correct and accurate forms are on file for all staff.

WE ALSO RECOMMEND the Grand River/Warren District review the ASSIST Monthly User Listing (VB-9554) to ensure that all staff has been assigned job types that are authorized.

NOTE: While the auditor was on site 3 employees updated their ASSIST Enrollment Profile (FIA-3720) and 16 employees updated their ASSIST Security Agreements (FIA-37-21). One employee was on medical leave and one employee transferred to another District.

#### MA-010 Reconciliation- Openings and Reopening

4. The Grand River/Warren District did not reconcile a sample of Openings and Reopenings listed on the MA-010 Report to the case documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. Reconciliation of Openings and Reopening provides assurance that cases were opened by their assigned workers.

WE RECOMMEND the Grand River/Warren District reconcile a sample of openings and reopenings to case documentation.

#### MA-010 Reconciliation- Flagged Transactions

5. The Grand River/Warren District did not reconcile all flagged transactions on the Transaction Control Listing (MA-101) to the input documents, as required by the

Local Office Reports Description Manual. A review of the MA-010 reconciliations for the audit period showed two flagged transactions were missed and not reconciled. Reconciliation of all flagged accounts helps to ensure that transactions were properly authorized and correctly entered on the Client Information System (CIS).

WE RECOMMEND the Grand River/Warren District reconcile all flagged transactions on the MA-010 to the input documents.

#### Security Officer' Log Report

6. The Grand River/Warren District did not reconcile the Security Officers Log Report (PD-180) to the Security Agreements (FIA-3974A's) for the Client Information management System(CIMS). L-Letter L-97-063 requires the reconciler to review this report to a signed Security Agreement to ensure that all changes are accurate.

WE RECOMMEND the Grand River/Warren District reconcile the PD-180 report to revised Security Agreements.

#### Review of the ASSIST Security Violation Report (VB9-163)

7. The Grand River/Warren District did not review the VB9-163 ASSIST Security Violation Report for security violations. This report is system generated each day a security violation occurs, and should be reviewed so that management is notified when the security officer resets passwords after employees have been locked out of the system to ensure that the reset was appropriate.

WE RECOMMEND the Grand River District review the VB9-163 Report and notify management of resets made after employees have been locked out of ASSIST.

## **IRS Information Security**

### **Designated Staff Person**

8. The Grand River/Warren District Designated Staff Person (DSP) did not have a password for accessing IRS confidential wage match information, as required by Program Administrative Manual (PAM) 803. The password is necessary to access information that may provide evidence that a client is receiving benefits that they may not be entitled to receive.

WE RECOMMEND the Grand River/Warren District Designated a Staff Person, obtain a password, and comply with procedures outlined in Program Administrative Manual (PAM) 803.

### **Back-up Designated Staff Person**

9. The Grand River/Warren District did not have a Designated Staff Person (DSP) backup with password for accessing IRS confidential wage match information, as required by Program Administrative Manual (PAM) 803. The back-up is necessary in case information is needed on a day when the Designated Staff Person is unavailable.

WE RECOMMEND the Grand River/Warren District appoint a Designated Staff Person Backup, obtain a password, and comply with procedures outlined in Program Administrative Manual (PAM) 803.

### **IRS Data Control Sheet**

10. The Grand River/Warren District did not properly complete the IRS Data Control Sheet (FIA-4488), as required by PAM Item 800. The IRS Designated Staff Person

(DSP) did not sign the FIA-4488 and the disposition was not always recorded. Proper completion of the FIA-4488 is necessary to document that the District is maintaining the confidentiality of information received from the IRS.

WE RECOMMEND the Grand River/Warren District properly complete the IRS Data Control Sheet.

### **Procurement Card**

#### **Procurement Card Transaction Log**

11. The Grand River/Warren District did not always complete the Procurement Card Transaction Log to indicate verification of goods/services received. The Primary Internal Control Criteria for FIA Local/District Office Operations requires a signature to document the goods/services were received. Verification of goods/services when received will help to ensure assets are safeguarded against loss and unauthorized use or disposition.

WE RECOMMEND the Grand River/Warren District verify goods and services when received, and sign the procurement card transaction log when goods/services are received.

#### **Card Reconciliation**

12. The Grand River/Warren District did not always reconcile the Procurement Card Transaction Log with the Detail Transaction Report and vendor receipts. The Primary Internal Control Criteria for Local/District Office Operations recommends reconciliation of these items by someone other than the purchaser. Reconciliation will help to ensure that all purchases were properly authorized.

WE RECOMMEND the Grand River/Warren District perform a reconciliation of the Procurement Card Transaction Log with the transaction detail report and vendor receipts.

### **Payroll and Timekeeping**

#### **Payroll Certification**

13. We found the HR-332A was not always signed as certified by the District Manager or Acting District Manager as required by the Primary Internal Control Criteria for Local/District Office Operations. The Administrative Services Manager occasionally signed the HR-332A as certified even when the Acting District Manager was present. Having the District manager or Acting District Manager certify the Payroll will help to ensure all employees are held accountable and time worked properly approved.

WE RECOMMEND the Grand River/Warren District have their District Manager or Acting District Manager approve the HR-332A as certified.

#### **No Employee Time and Attendance Report**

14. The Grand River/Warren District did not have Employee Time and Attendance Reports (FIA-4299) on file for two employees for the pay period ended 5/24/03. Both employees' time was orally approved by their supervisor because they were on leave of absence. The Primary Internal Control Criteria for Local/District Office Operations requires the completion of employee Time and Attendance Reports (FIA-4299). The report may be prepared and approved by the supervisor when the employee is unavailable to prepare their own FIA-4299. Proper completion provides documentation that employee hours reported were properly approved.

WE RECOMMEND the Grand River/Warren District have the employee's supervisor complete and approve the Time and Attendance Report (FIA-4299) if their employee is active on the payroll and unable to complete one.

### **State Car Usage**

#### **Official Daily Travel Log Preparation**

15. The Grand River/Warren District staff did not prepare the Official Daily Travel Logs (MTD-10) for one assigned State Car for the period October 1, 2002 through March 31 2003, and another for the period January through March 2003, as required by Administrative Handbook Manual Item 811. Accurately completing the MTD-10 will provide documentation that miles traveled were for approved business purposes.

WE RECOMMEND the Grand River/Warren District require the Daily preparation of the Official Daily Travel Log (MTD-10) for all assigned state vehicles.